



Republican Policy Committee

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The Third Time's a Charm

Congress Leads the Way on Real Welfare Reform

"Four years after promising to end welfare, the president is bragging about a piece-meal, Washington-knows-best waiver process. We can't end the 50-year social disaster called welfare by handing out one waiver at a time."

[Wisconsin Governor Tommy Thompson, May 18, 1996]

Congress and the Governors Deliver Real Reform

If Bill Clinton really wanted to reform welfare, he would be doing more during his fourth year in office than talking about granting one state (i.e., Wisconsin) a waiver from federal regulations. This week, Congressional leaders will unveil a plan, based on the bipartisan National Governors' Association (NGA) proposal adopted unanimously in January of 1996, that reforms both welfare and Medicaid. Highlights of the NGA-based proposal include:

Replacing Welfare With Work and Responsibility

- **The federal entitlement to welfare benefits will end.** It will be replaced with block grants (capped at \$16.3 billion annually) that permit states to fund programs that promote self-sufficiency and allow them to scrap programs that for decades only have encouraged welfare dependency. No state will receive less funding than under current law.
- **Able-bodied welfare recipients must begin work within two years of receiving their first benefits.**
- **Recipients will be limited to a lifetime limit of five years (with a 20-percent hardship exemption).**
- **Yet, welfare spending still will increase 27 percent** (to more than \$105 billion; this figure doesn't include Medicaid) over the next six years; the Congressional Budget Office (CBO) estimates the NGA proposal will achieve \$53 billion in savings over FYs 1997-2002. President Clinton's welfare proposal contained in his FY97 budget saves \$38 billion over the same time period.
- **Child care funding will be consolidated into a single block grant and greatly increased.** A total of \$22 billion (over seven years) is provided: \$15 billion in mandatory spending for parents receiving welfare, and \$7 billion in discretionary spending to help low-income parents avoid entering the welfare rolls.

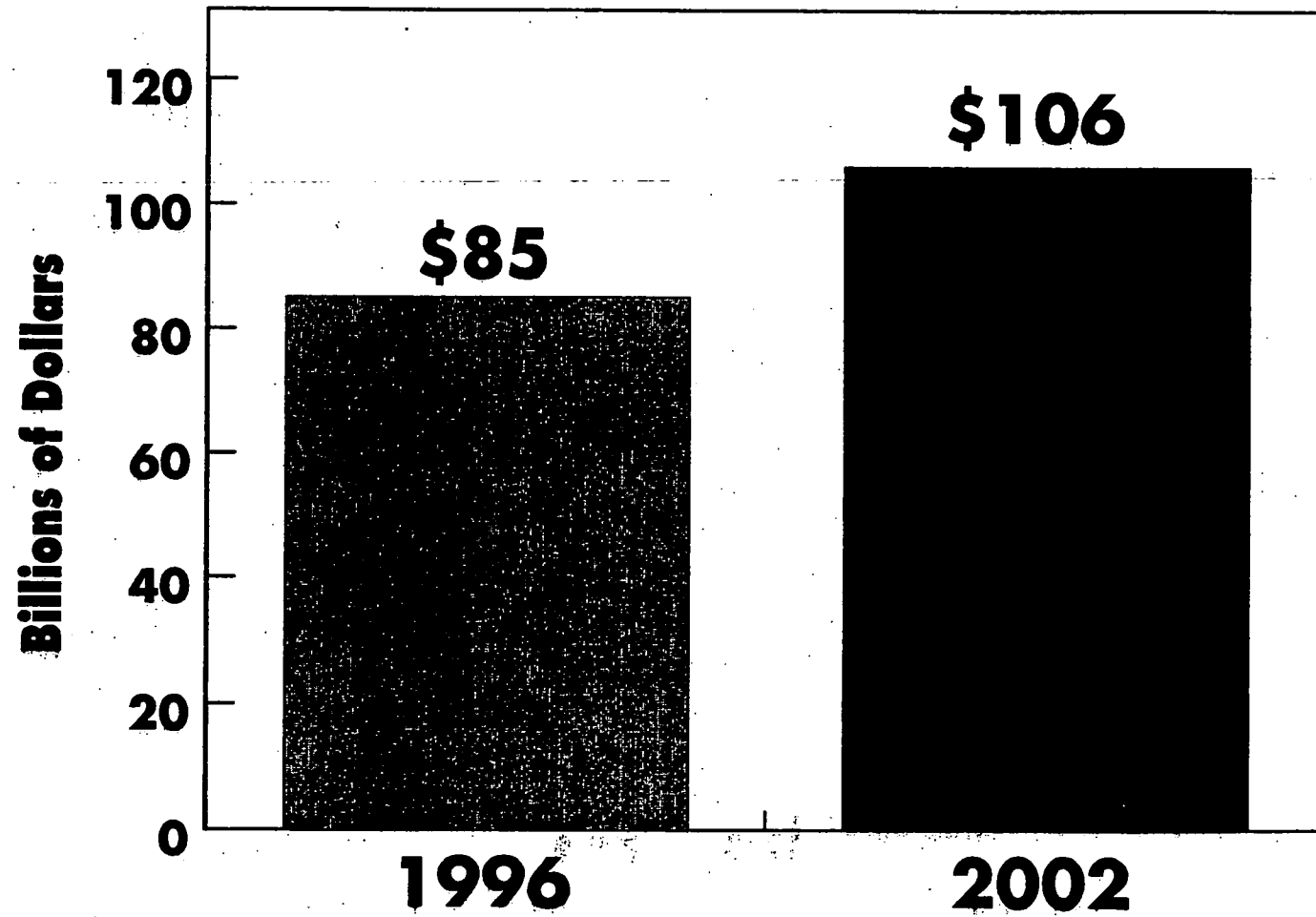
- **States will be eligible for funding from five additional sources** (in addition to their welfare and child care block grants): 1) a \$2 billion contingency fund to assist states experiencing an economic downturn; 2) a \$1.7 billion revolving loan fund; 3) a \$1 billion bonus fund for states that are successful in their welfare-to-work programs; 4) an \$800 million fund for high population-growth states; and 5) a bonus of up to 10 percent of a state's block grant amount for succeeding at reducing illegitimacy rates.

Fixing the Medicaid "Budget Buster"

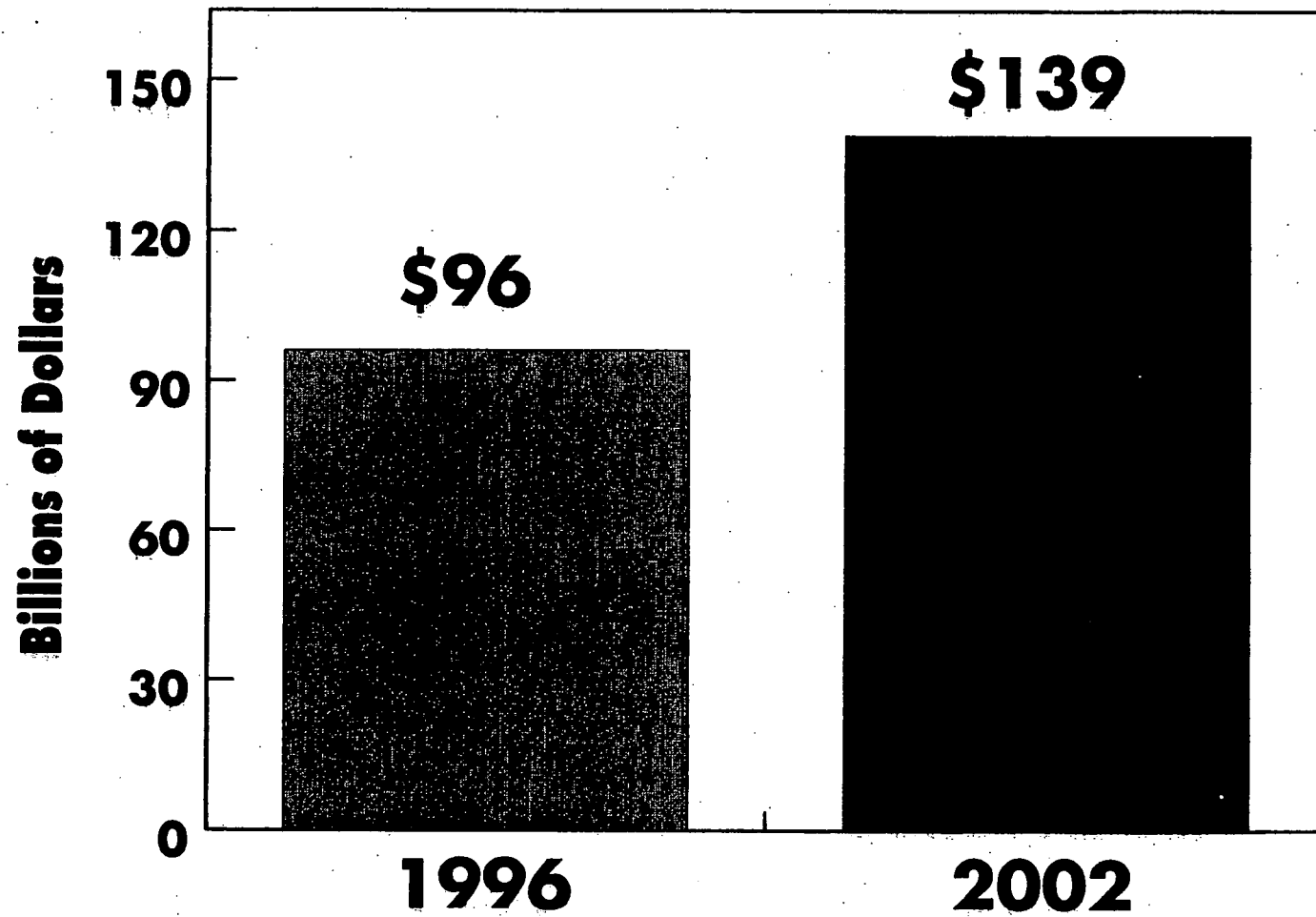
- **The federal entitlement to welfare has included the entitlement to Medicaid**, a program whose costs are shared by the states (the average state matching share is 43 percent). **Years of double-digit growth in the cost of Medicaid have forced states to reduce their spending on other priorities like education, highways, and prison construction.**
- **In 1990, for the first time ever, state spending on Medicaid surpassed spending on higher education and, in 1995, Medicaid has nearly matched total state expenditures for elementary and secondary education (20.9 percent) — the states' single largest budget function — consuming 19.2 percent of the 50 states' total expenditures.**
- **The governors, 49 of whom operate under balanced budget requirements, testified before Congress that growth in Medicaid should be curbed by between \$59 and \$85 billion over FYs 1997-2002. The Congressional proposal achieves \$72 billion in Medicaid savings, reflecting the mid-point between the range proposed by the governors.**
- **Yet, under the Republican welfare reform proposal, Medicaid spending increases, but at a slightly lower rate of growth, a 6.5 percent annual growth rate instead of the 7.1 percent proposed by President Clinton. The spending difference between President Clinton's Medicaid proposal and the NGA-based proposal is 21-cents per beneficiary per day.**
- **Combined federal and state Medicaid spending will total \$1.176 trillion over FYs 1997-2002. Total growth from 1996 through 2002 under the NGA-based plan is 46 percent. The President's Medicaid proposal would yield a growth rate of 51 percent from 1996 through 2002.**
- **States will be able to provide Medicaid coverage to those with incomes up to 275 percent of the federal poverty line (FPL). States are required to cover pregnant women and children under age six up to 133 percent FPL and children from ages 6-12 up to 100 percent FPL. States are also required to provide Medicaid coverage to disabled individuals, with two options for the definition of disabled. Current federal nursing standards are retained.**

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[Attached charts]

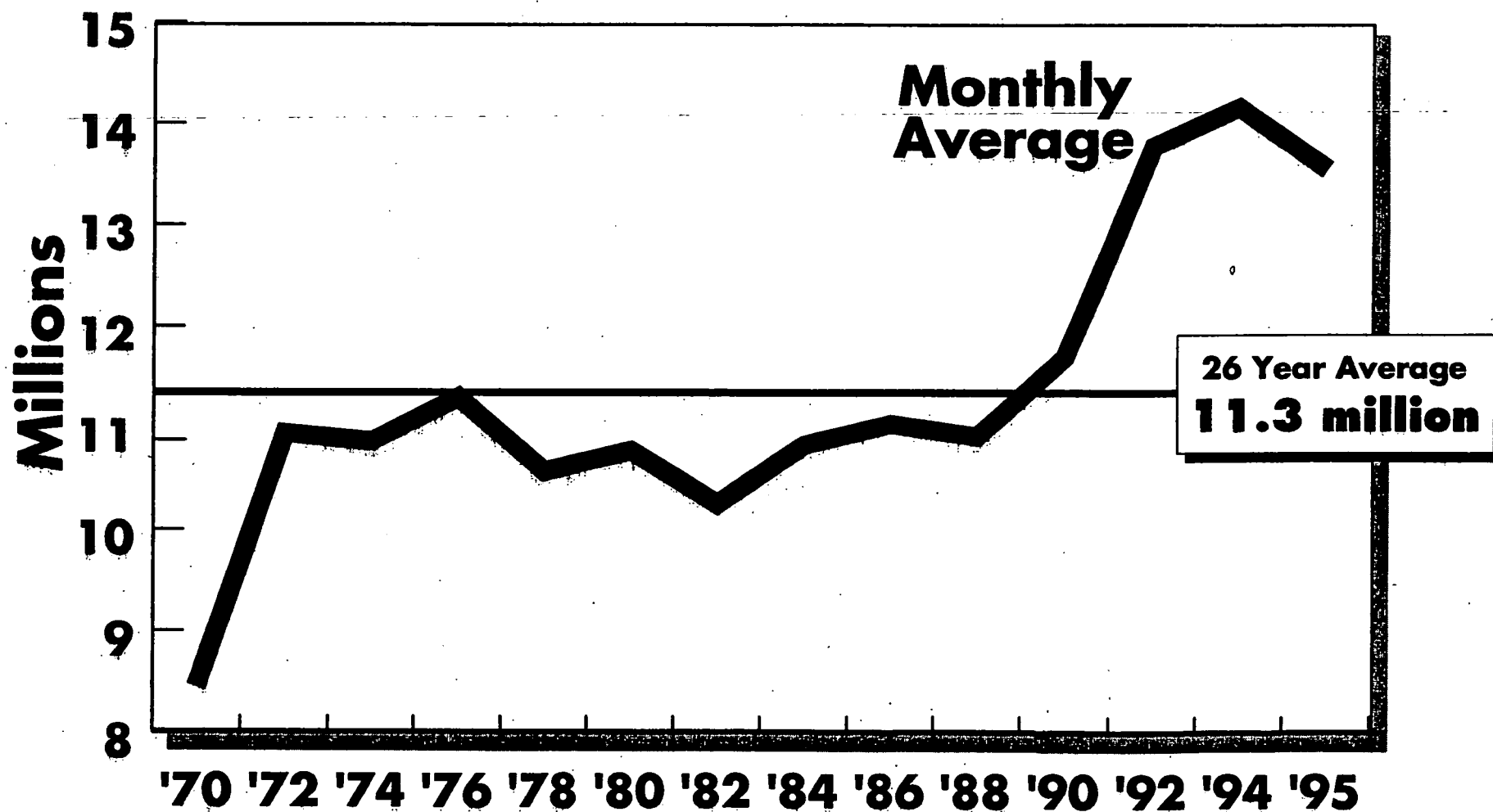
Welfare



Medicaid



Average Monthly Number of AFDC Recipients (1970-95)



Average Monthly Number of Food Stamp Recipients (1971-95)

